

**REPORT OF THE AUDIT OF THE  
TODD COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Todd County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TODD COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

Peercy and Gray, PSC, PSC has completed the audit of the Todd County Fiscal Court for fiscal year ended June 30, 2008. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had total net assets of \$3,098,983 as of June 30, 2008. In its governmental activities, the fiscal court had unrestricted net assets of \$623,476 as of June 30, 2008, with total net assets of \$3,097,049. In its business-type activities, total net cash and cash equivalents were \$1,934 with total net assets of \$1,934. The fiscal court had total debt principal as of June 30, 2008 of \$5,258,664 with \$245,939 due within the next year.

#### **Report Comments:**

- The Fiscal Court Should Bid The Purchase Of Equipment Or Vehicles Costing Over \$20,000
- The Fiscal Court Lacks An Adequate Segregation Of Duties
- The Fiscal Court Should Develop And Implement A System To Track Additions And Retirements/Disposals Of Capital Assets During The Fiscal Year

#### **Deposits:**

The fiscal court's deposits were fully insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
TODD COUNTY OFFICIALS .....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS .....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	35
NOTES TO FINANCIAL STATEMENTS .....	37
BUDGETARY COMPARISON SCHEDULES .....	53
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....	57
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS.....	64
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	69
COMMENTS AND RECOMMENDATIONS .....	73
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	







Peercy and Gray, PSC

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur W. Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

#### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Todd County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Todd County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Arthur W. Green, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Todd County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2008 on our consideration of Todd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Fiscal Court Should Bid The Purchase Of Equipment Or Vehicles Costing Over \$20,000
- The Fiscal Court Lacks An Adequate Segregation Of Duties
- The Fiscal Court Should Develop And Implement A System To Track Additions And Retirements/Disposals Of Capital Assets During The Fiscal Year

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

November 5, 2008

## TODD COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

Arthur Green	County Judge/Executive
Roy Addison	Magistrate
Howard Gorrell	Magistrate
Bobby Rager	Magistrate
Brent Spurlin	Magistrate
Jimmy Turner	Magistrate

**Other Elected Officials:**

Harold Mac Johns	County Attorney
Greg Allen	Jailer
Billy Fowler	County Clerk
William Stokes	Sheriff
Perry Stokes	Property Valuation Administrator
Gerald Barnett	Coroner

**Appointed Personnel:**

Tammy Robertson	County Treasurer
Misty Glover	Finance Officer
Mandy Petrie	Personnel/Payroll Officer
Walton Epley	Road Supervisor
Mandy Petrie	Occupational Tax Administrator
Priscilla Wells	Jail Administrative Assistant/Bookkeeper

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**TODD COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 624,101	\$ 1,934	\$ 626,035
Asset Held For Resale	115,823		115,823
Total Current Assets	739,924	1,934	741,858
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	176,386		176,386
Buildings	5,464,429		5,464,429
Vehicles and Equipment	629,465		629,465
Infrastructure	1,345,509		1,345,509
Total Noncurrent Assets	7,615,789		7,615,789
Total Assets	8,355,713	1,934	8,357,647
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations	160,939		160,939
Bonds Payable	85,000		85,000
Total Current Liabilities	245,939		245,939
Noncurrent Liabilities:			
Financing Obligations	357,725		357,725
Bonds Payable	4,655,000		4,655,000
Total Noncurrent Liabilities	5,012,725		5,012,725
Total Liabilities	5,258,664		5,258,664
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	2,472,948		2,472,948
Restricted For:			
Capital Projects	117		117
Debt Service	398		398
Grant Projects	110		110
Unrestricted	623,476	1,934	625,410
Total Net Assets	\$ 3,097,049	\$ 1,934	\$ 3,098,983

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**

**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
General Government	\$ 945,675	\$ 122,028	\$	\$
Protection to Persons and Property	1,495,769	1,127,984	33,850	10,256
General Health and Sanitation	53,066	85,024	27,561	
Social Services	3,593			
Recreation and Culture	10,097			
Roads	794,790	11,229	229,577	896,602
Debt Service	267,596			
Capital Projects	461,937			
Total Governmental Activities	<u>4,032,523</u>	<u>1,346,265</u>	<u>290,988</u>	<u>906,858</u>
Business-type Activities:				
Jail Canteen	17,230	15,083		
Total Business-type Activities	<u>17,230</u>	<u>15,083</u>		
Total Primary Government	<u>\$ 4,049,753</u>	<u>\$ 1,361,348</u>	<u>\$ 290,988</u>	<u>\$ 906,858</u>

**General Revenues:**

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Tax

Net Profit Tax

Other Taxes

Telephone E-911 Surcharge

In Lieu Tax Payments

Excess Fees

Reimbursement

Interest

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (823,647)	\$	\$ (823,647)
(323,679)		(323,679)
59,519		59,519
(3,593)		(3,593)
(10,097)		(10,097)
342,618		342,618
(267,596)		(267,596)
(461,937)		(461,937)
(1,488,412)		(1,488,412)
	(2,147)	(2,147)
	(2,147)	(2,147)
(1,488,412)	(2,147)	(1,490,559)
329,556		329,556
55,711		55,711
444,643		444,643
144,277		144,277
206,313		206,313
123,722		123,722
174,205		174,205
55,738		55,738
24,613		24,613
36,387		36,387
37,685	4,081	41,766
1,632,850	4,081	1,636,931
144,438	1,934	146,372
2,952,611		2,952,611
\$ 3,097,049	\$ 1,934	\$ 3,098,983

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**

**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Ambulance Fund</b></u>	<u><b>Jail Fund</b></u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,769	\$ 575,602	\$ 8,409	\$ 2,200
Total Assets	<u>\$ 17,769</u>	<u>\$ 575,602</u>	<u>\$ 8,409</u>	<u>\$ 2,200</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	\$	\$ 38	\$	\$ 289
Unreserved:				
General Fund	17,769			
Special Revenue Funds		575,564	8,409	1,911
Capital Projects Funds				
Debt Service Fund				
Total Fund Balances	<u>\$ 17,769</u>	<u>\$ 575,602</u>	<u>\$ 8,409</u>	<u>\$ 2,200</u>

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Jail Bond and Lease Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 398</u>	<u>\$ 19,723</u>	<u>\$ 624,101</u>
<u>\$ 398</u>	<u>\$ 19,723</u>	<u>\$ 624,101</u>
\$	\$	\$ 327
		17,769
	19,606	605,490
	117	117
<u>398</u>		<u>398</u>
<u>\$ 398</u>	<u>\$ 19,723</u>	<u>\$ 624,101</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 624,101
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	10,104,358
Accumulated Depreciation	(2,488,569)
Asset Held For Resale	115,823
Debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(518,664)
General Obligation Bonds	<u>(4,740,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,097,049</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>Jail Fund</u>
<b>REVENUES</b>				
Taxes	\$ 1,159,340	\$	\$	\$
In Lieu Tax Payments	174,205			
Excess Fees	55,738			
Licenses and Permits	38,790			
Intergovernmental	78,947	1,126,179	10,256	568,794
Charges for Services	4,290		467,654	8,553
Miscellaneous	31,786	11,700	1,261	28,570
Interest	29,578			
Total Revenues	<u>1,572,674</u>	<u>1,137,879</u>	<u>479,171</u>	<u>605,917</u>
<b>EXPENDITURES</b>				
General Government	365,796	32,835		
Protection to Persons and Property	4,800		512,413	1,487,111
General Health and Sanitation	16,203			
Social Services	3,593			
Recreation and Culture	8,777			
Roads		950,272		
Debt Service	199,387		17,201	11,123
Capital Projects	5,642			
Administration	103,584	143,754	72,477	144,681
Total Expenditures	<u>707,782</u>	<u>1,126,861</u>	<u>602,091</u>	<u>1,642,915</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>864,892</u>	<u>11,018</u>	<u>(122,920)</u>	<u>(1,036,998)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds			35,936	
Line of Credit	180,000			
Transfers From Other Funds	230,969	150,000	85,500	1,222,685
Transfers To Other Funds	(1,360,792)	(226,517)	(452)	(198,840)
Total Other Financing Sources (Uses)	<u>(949,823)</u>	<u>(76,517)</u>	<u>120,984</u>	<u>1,023,845</u>
<b>Special Items</b>				
Proceeds From Sale Of Assets Held For Resale				
Total Special Items				
Net Change in Fund Balances	(84,931)	(65,499)	(1,936)	(13,153)
Fund Balances - Beginning	102,700	641,101	10,345	15,353
Fund Balances - Ending	<u>\$ 17,769</u>	<u>\$ 575,602</u>	<u>\$ 8,409</u>	<u>\$ 2,200</u>

The accompanying notes are an integral part of the financial statements.

**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Jail Bond and Lease Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 142,303	\$ 1,301,643
		174,205
		55,738
	48,282	87,072
	125,423	1,909,599
	58,292	538,789
	211	73,528
6,390	419	36,387
<u>6,390</u>	<u>374,930</u>	<u>4,176,961</u>
		398,631
	258,720	2,263,044
	146,728	162,931
		3,593
		8,777
		950,272
297,209	132,145	657,065
349,016	147,767	502,425
1,068	54,380	519,944
<u>647,293</u>	<u>739,740</u>	<u>5,466,682</u>
<u>(640,903)</u>	<u>(364,810)</u>	<u>(1,289,721)</u>
	115,823	151,759
		180,000
198,840	117,292	2,005,286
<u>(192,902)</u>	<u>(25,783)</u>	<u>(2,005,286)</u>
<u>5,938</u>	<u>207,332</u>	<u>331,759</u>
	99,510	99,510
	99,510	99,510
(634,965)	(57,968)	(858,452)
635,363	77,691	1,482,553
<u>\$ 398</u>	<u>\$ 19,723</u>	<u>\$ 624,101</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**TODD COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (858,452)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental Funds report capital outlays as expenditures. However, in the  
Statement of Activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense.

Capital Outlay	1,363,786
Depreciation Expense	(482,219)
Purchase Of Assets Held For Resale	115,823
Disposal Of Asset Held For Resale Sold	(110,469)

The issuance of short-term and long-term debt (e.g. bonds, leases) provides current  
financial resources to governmental funds. While the repayment of  
principal on short-term and long-term debt consumes the current financial resources  
of governmental funds. These transactions, however, have no effect on  
net assets.

Line-of-Credit Proceeds	(180,000)
Line-of-Credit Principal Payments	180,000
Financing Obligation Proceeds	(151,759)
Financing Obligations Principal Payments	267,728

Change in Net Assets of Governmental Activities	\$ 144,438
---	------------

THIS PAGE LEFT BLANK INTENTIONALLY



**TODD COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**June 30, 2008**



**TODD COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,934
Total Assets	<u>1,934</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	1,934
Total Net Assets	<u><u>\$ 1,934</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**TODD COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 15,083
Other Receipts	4,081
Total Operating Revenues	<u>19,164</u>
 <b>Operating Expenses</b>	
Cost of Sales	10,525
Educational and Recreational	644
Miscellaneous	<u>6,061</u>
Total Operating Expenses	<u>17,230</u>
Operating Income	<u>1,934</u>
 Change In Net Assets	1,934
Total Net Assets - Beginning	
Total Net Assets - Ending	<u><u>\$ 1,934</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**TODD COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**



**TODD COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 15,083
Other Receipts	4,081
Payment to Suppliers	<u>(17,230)</u>
Net Cash Provided By Operating Activities	<u>1,934</u>
Net Increase in Cash and Cash Equivalents	1,934
Cash and Cash Equivalents - July 1, 2007	<u></u>
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 1,934</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	<u>\$ 1,934</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,934</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	37
NOTE 2.	DEPOSITS .....	43
NOTE 3.	ASSETS HELD FOR RESALE.....	43
NOTE 4.	CAPITAL ASSETS.....	44
NOTE 5.	SHORT-TERM DEBT - FINANCING OBLIGATIONS.....	45
NOTE 6.	LONG-TERM DEBT .....	45
NOTE 7.	LINE OF CREDIT .....	48
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	48
NOTE 9.	INSURANCE .....	49
NOTE 10.	SUBSEQUENT EVENT.....	49
NOTE 11.	LITIGATION - SUBSEQUENT EVENT.....	49

**TODD COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Todd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of GASB 14, there are no component units which merit consideration as part of the reporting entity.

**C. Todd County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Todd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Todd County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County does not have any fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; and 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance expenditures of the county. The primary source of revenues is ambulance fees.

Jail Bond and Lease Fund - The primary purpose of this fund is to account for the expenditures of the renovation of the jail building and for the debt service payments on the jail.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, Dispatch Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund.

**Special Revenue Funds:**

The Road Fund, Ambulance Fund, Jail Fund, Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, and Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Jail Bond and Lease Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund are presented as capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent the fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organization and Jointly Governed Organization**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Todd County Water District and Todd County Airport Board are considered related organizations of the Todd County Fiscal Court.

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial Credit Risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ 110,469	\$ 115,823	\$ 110,469	\$ 115,823
Total Assets Held For Resale	\$ 110,469	\$ 115,823	\$ 110,469	\$ 115,823

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 176,386	\$	\$	\$ 176,386
Construction in Progress	4,084,963	380,653	(4,465,616)	
Total Capital Assets Not Being Depreciated	4,261,349	380,653	(4,465,616)	176,386
Capital Assets, Being Depreciated:				
Buildings	1,312,965	4,932,623		6,245,588
Vehicles and Equipment	1,729,143	156,874		1,886,017
Infrastructure	1,437,115	359,252		1,796,367
Total Capital Assets Being Depreciated	4,479,223	5,448,749		9,927,972
Less Accumulated Depreciation For:				
Buildings	(681,811)	(99,348)		(781,159)
Vehicles and Equipment	(1,044,734)	(211,818)		(1,256,552)
Infrastructure	(279,805)	(171,053)		(450,858)
Total Accumulated Depreciation	(2,006,350)	(482,219)		(2,488,569)
Total Capital Assets, Being Depreciated, Net	2,472,873	4,966,530		7,439,403
Governmental Activities Capital Assets, Net	\$ 6,734,222	\$ 5,347,183	\$ (4,465,616)	\$ 7,615,789

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 42,100
Protection to Persons and Property	191,977
General Health and Sanitation	9,059
Recreation and Culture	1,320
Roads, including Depreciation of General Infrastructure Assets	<u>237,763</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 482,219</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Short-term Debt - Financing Obligations**

**A. Mack Truck**

On September 22, 2006, the county entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$110,469, with principal being due on September 20, 2007. The interest rate was 4.892%. The Fiscal Court used borrowed funds to purchase a Mack truck for the solid waste department. The borrowed funds were repaid on September 20, 2007.

**B. Mack Truck**

On November 2, 2007, the county entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$115,823, with principal being due on November 20, 2008. The interest rate was 4.390%. The Fiscal Court used borrowed funds to purchase a Mack truck for the solid waste department. The total principal balance of the agreement was \$115,823 as of June 30, 2008.

**C. Changes In Short-term Debt**

Short-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
Financing Obligations	\$ 110,469	\$ 115,823	\$ 110,469	\$ 115,823	\$ 115,823
Governmental Activities					
Short-term Liabilities	\$ 110,469	\$ 115,823	\$ 110,469	\$ 115,823	\$ 115,823

**Note 6. Long-term Debt**

**A. Jail Financing Obligation**

The county entered into a financing obligation with the Kentucky Association of Counties Leasing Trust for construction on the Todd County Jail. The agreement requires monthly interest payments and a semi-annual principal payment on January 20 of each year through 2011.

The county refinanced this agreement on May 7, 2001 at a lower interest rate of 4.596%. The principal balance of the obligation was \$31,000 as of June 30, 2008. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 10,000	\$ 1,323
2010	10,000	831
2011	11,000	316
Totals	\$ 31,000	\$ 2,470

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. 911 Equipment Financing Obligation**

The county entered into a financing obligation with Wells Fargo Bank for 911 equipment. The agreement requires annual principal and interest payments. The total amount of principal was \$167,980. The principal balance of the obligation as of June 30, 2008, was \$0.

**C. HVAC Equipment Financing Obligation**

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for HVAC equipment. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$43,300. The principal balance of the obligation as of June 30, 2008, was \$13,300. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest &amp; Fees</u>
2009	\$ 13,300	\$ 65
	<u>\$ 13,300</u>	<u>\$ 65</u>

**D. Emergency Operations Center Financing Obligation**

The county entered into a financing obligation with the Kentucky Area Development District Leasing Trust for improvements and construction to the emergency operations center. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$350,000. The principal balance of the obligation as of June 30, 2008, was \$330,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest &amp; Fees</u>
2009	\$ 10,000	\$ 16,490
2010	15,000	16,070
2011	15,000	15,371
2012	15,000	14,672
2013	15,000	13,973
2014-2018	80,000	59,320
2019-2023	105,000	37,450
2024-2026	75,000	9,015
	<u>\$ 330,000</u>	<u>\$ 182,361</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**E. Jail Renovation General Obligation Bonds**

The County issued \$4,320,000 General Obligation Improvement Bonds dated February 16, 2006, for the renovation and construction of a jail. Principal payments are due each year on February 1 beginning February 1, 2008 with the final payment being due on February 1, 2038. Interest on the bonds is calculated at 4.50% and is payable each August 1 and February 1, and begins on August 1, 2006. The principal balance outstanding for the bond issue as of June 30, 2008 was \$4,255,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 70,000	\$ 191,475
2010	70,000	188,325
2011	75,000	185,175
2012	75,000	181,800
2013	80,000	178,425
2014-2018	455,000	834,975
2019-2023	575,000	722,250
2024-2028	725,000	580,275
2029-2033	930,000	399,600
2034-2038	1,200,000	167,400
	<u>\$ 4,255,000</u>	<u>\$ 3,629,700</u>

**F. Jail Renovation and Addition Bonds**

The county issued bonds through the Kentucky Public Agency Development Lease Certificates of Participation for renovation and addition to the jail. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$500,000. The principal balance of the bond issue as of June 30, 2008, was \$485,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 15,000	\$ 23,760
2010	15,000	23,160
2011	20,000	22,545
2012	20,000	21,695
2013	20,000	20,815
2014-2018	110,000	90,225
2019-2023	140,000	60,625
2024-2027	145,000	20,270
	<u>\$ 485,000</u>	<u>\$ 283,095</u>

**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Ambulance Equipment Financing Obligation**

The County entered into a financing obligation with the Leasing One Corp for an Ambulance. The agreement requires 36 monthly interest payment and an payments. The total amount of principal was \$35,936. The principal balance of the obligation as of June 30, 2008, was \$28,541. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 11,816	\$ 1,132
2010	12,436	512
2011	4,289	1,106
	<u>\$ 28,541</u>	<u>\$ 2,750</u>

**H. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Financing Obligations	\$ 444,164	\$ 35,936	\$ 77,259	\$ 402,841	\$ 45,116
Bonds	4,820,000		80,000	4,740,000	85,000
<b>Governmental Activities</b>					
Long-term Liabilities	<u>\$ 5,264,164</u>	<u>\$ 35,936</u>	<u>\$ 157,259</u>	<u>\$ 5,142,841</u>	<u>\$ 130,116</u>

**Note 7. Line of Credit**

On June 8, 2007, the Todd Fiscal Court approved a line of credit with United Southern Bank. The Todd County Fiscal Court borrowed and repaid \$180,000 during fiscal year ended June 30, 2008. The principal balance of the line of credit as of June 30, 2008, was \$0.

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.



**TODD COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Insurance**

For the fiscal year ended June 30, 2008, Todd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Subsequent Event**

On August 5, 2008, the Todd County Fiscal Court approved the purchase of land for the site of a new Judicial Center.

**Note 11. Litigation - Subsequent Event**

On February 28, 2008, Sheriff W. D. Stokes filed a lawsuit against the Todd County Fiscal Court seeking payment of his salary for January 2008 and February 2008. Sheriff Stokes is also seeking for the Todd County Fiscal Court to pay his salary on a continuing basis. The statutory maximum for the Todd County Sheriff for calendar year 2008 is \$70,496 per the Department for Local Government.

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**



**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2008**

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,259,400	\$ 1,259,400	\$ 1,159,340	\$ (100,060)
In Lieu Tax Payments	166,000	166,000	174,205	8,205
Excess Fees	14,000	14,000	55,738	41,738
Licenses and Permits	53,500	53,500	38,790	(14,710)
Intergovernmental Revenue	89,800	89,800	78,947	(10,853)
Charges for Services	3,500	3,500	4,290	790
Miscellaneous	13,500	13,500	31,786	18,286
Interest	25,000	25,000	29,578	4,578
Total Revenues	1,624,700	1,624,700	1,572,674	(52,026)
EXPENDITURES				
General Government	389,282	423,748	365,796	57,952
Protection to Persons and Property	7,300	7,300	4,800	2,500
General Health and Sanitation	15,424	16,384	16,203	181
Social Services	4,200	4,200	3,593	607
Recreation and Culture	17,500	37,692	28,969	8,723
Debt Service	15,900	205,345	199,387	5,958
Capital Projects		6,500	5,642	858
Administration	172,683	172,257	103,584	68,673
Total Expenditures	622,289	873,426	727,974	145,452
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,002,411	751,274	844,700	93,426
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	70,268	70,268	230,969	160,701
Transfers To Other Funds	(1,086,600)	(1,086,600)	(1,340,600)	(254,000)
Line of Credit		500,000	180,000	(320,000)
Total Other Financing Sources (Uses)	(1,016,332)	(516,332)	(929,631)	(413,299)
Net Changes in Fund Balances	(13,921)	234,942	(84,931)	(319,873)
Fund Balances - Beginning	13,921	87,613	102,700	15,087
Fund Balances - Ending	\$ 0	\$ 322,555	\$ 17,769	\$ (304,786)

**Reconciliation of the Budgetary Comparison Schedule to  
Statement of Revenues, Expenditures, and Changes In Fund Balance**

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Total - Budgetary Comparison Schedule	\$ 727,974	\$ (929,631)
Transfers Out To Clifty School Park Project Fund	<u>(20,192)</u>	<u>(20,192)</u>
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 707,782</u>	<u>\$ (949,823)</u>

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 986,405	\$ 1,103,486	\$ 1,126,179	\$ 22,693
Miscellaneous	7,000	7,000	11,700	4,700
Interest Earned	5,000	5,000		(5,000)
Total Revenues	<u>998,405</u>	<u>1,115,486</u>	<u>1,137,879</u>	<u>22,393</u>
<b>EXPENDITURES</b>				
General Government	36,000	36,000	32,835	3,165
Roads	982,550	1,110,331	950,272	160,059
Administration	187,300	176,600	143,754	32,846
Total Expenditures	<u>1,205,850</u>	<u>1,322,931</u>	<u>1,126,861</u>	<u>196,070</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(207,445)</u>	<u>(207,445)</u>	<u>11,018</u>	<u>218,463</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			150,000	150,000
Transfers To Other Funds	<u>(70,268)</u>	<u>(70,268)</u>	<u>(226,517)</u>	<u>(156,249)</u>
Total Other Financing Sources (Uses)	<u>(70,268)</u>	<u>(70,268)</u>	<u>(76,517)</u>	<u>(6,249)</u>
Net Changes in Fund Balances	<u>(277,713)</u>	<u>(277,713)</u>	<u>(65,499)</u>	<u>212,214</u>
Fund Balances - Beginning	<u>277,713</u>	<u>277,713</u>	<u>641,101</u>	<u>363,388</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,602</u>	<u>\$ 575,602</u>

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 11,000	\$ 11,000	\$ 10,256	\$ (744)
Charges for Services	400,000	400,000	467,654	67,654
Miscellaneous	500	500	1,261	761
Total Revenues	411,500	411,500	479,171	67,671
EXPENDITURES				
Protection to Persons and Property	464,450	485,750	476,477	9,273
Debt Service	13,600	17,325	17,201	124
Administration	76,000	74,000	72,477	1,523
Total Expenditures	554,050	577,075	566,155	10,920
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(142,550)	(165,575)	(86,984)	78,591
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	142,550	142,550	85,500	(57,050)
Transfers To Other Funds			(452)	(452)
Total Other Financing Sources (Uses)	142,550	142,550	85,048	(57,502)
Net Changes in Fund Balances		(23,025)	(1,936)	21,089
Fund Balances - Beginning			10,345	10,345
Fund Balances - Ending	\$ 0	\$ (23,025)	\$ 8,409	\$ 31,434
Reconciliation of the Budgetary Comparison Schedule to Statement of Revenues, Expenditures, and Changes In Fund Balance				
			Expenditures	Other Financing Sources (Uses)
Total - Budgetary Comparison Schedule			\$ 566,155	\$ 85,048
Protections to Persons and Property - Ambulance Purchase			35,936	
Financial Obligation Proceeds				35,936
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances	\$	602,091	\$	120,984

**TODD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 515,500	\$ 515,500	\$ 568,794	\$ 53,294
Charges for Services	34,500	34,500	8,553	(25,947)
Miscellaneous	25,000	239,802	243,255	3,453
Total Revenues	575,000	789,802	820,602	30,800
EXPENDITURES				
Protection to Persons and Property	895,262	1,507,174	1,487,111	20,063
Debt Service	308,838	210,856	209,963	893
Administration	188,600	144,922	144,681	241
Total Expenditures	1,392,700	1,862,952	1,841,755	21,197
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(817,700)	(1,073,150)	(1,021,153)	51,997
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	817,700	817,700	1,008,000	190,300
Total Other Financing Sources (Uses)	817,700	817,700	1,008,000	190,300
Net Changes in Fund Balances		(255,450)	(13,153)	242,297
Fund Balances - Beginning			15,353	15,353
Fund Balances - Ending	\$ 0	\$ (255,450)	\$ 2,200	\$ 257,650

**Reconciliation of the Budgetary Comparison Schedule to  
Statement of Revenues, Expenditures, and Changes In Fund Balance**

	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>
Total - Budgetary Comparison Schedule	\$ 820,602	\$ 1,841,755	\$ 1,008,000
Transfers From Other Funds - Jail Bond and Lease and EOC Fund	(214,685)		214,685
Transfers To Other Funds - Jail Bond and Lease Fund		(198,840)	(198,840)
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 605,917	\$ 1,642,915	\$ 1,023,845



**TODD COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**

**TODD COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Timberland Tax Fund</b>	<b>Solid Waste Fund</b>	<b>Dispatch Fund</b>	<b>Emergency Operations Center Construction Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 7,332	\$ 2,403	\$ 2,545	\$ 7,326	\$ 7
Total Assets	<u>\$ 7,332</u>	<u>\$ 2,403</u>	<u>\$ 2,545</u>	<u>\$ 7,326</u>	<u>\$ 7</u>
<b>FUND BALANCES</b>					
Unreserved:					
Special Revenue Funds	\$ 7,332	\$ 2,403	\$ 2,545	\$ 7,326	\$
Capital Projects Fund					7
Total Fund Balances	<u>\$ 7,332</u>	<u>\$ 2,403</u>	<u>\$ 2,545</u>	<u>\$ 7,326</u>	<u>\$ 7</u>

The accompanying notes are an integral part of the financial statements

**TODD COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2008**  
**(Continued)**

<b>Clifty School Park Project Fund</b>	<b>Total Non-Major Governmental Funds</b>
<hr/>	<hr/>
\$ 110	\$ 19,723
<hr/>	<hr/>
\$ 110	\$ 19,723
<hr/>	<hr/>
\$ 110	\$ 19,606
<hr/>	<hr/>
110	117
<hr/>	<hr/>
\$ 110	\$ 19,723
<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**

**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Timberland Tax Fund</b>	<b>Solid Waste Fund</b>	<b>Dispatch Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 1,350	\$ 17,231	\$ 123,722
License and Permits			48,282	
Intergovernmental	2,579		27,561	95,283
Charges for Services			36,742	21,550
Miscellaneous Revenues			11	
Interest Earned				
Total Revenues	<u>2,579</u>	<u>1,350</u>	<u>129,827</u>	<u>240,555</u>
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property	1,766	1,454		255,500
General Health and Sanitation			146,728	
Debt Service			114,944	17,201
Capital Projects	634		115,823	
Administration			12,895	40,616
Total Expenditures	<u>2,400</u>	<u>1,454</u>	<u>390,390</u>	<u>313,317</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>179</u>	<u>(104)</u>	<u>(260,563)</u>	<u>(72,762)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds			115,823	
Transfers From Other Funds			38,100	59,000
Transfers To Other Funds				(4,000)
Total Other Financing Sources (Uses)			<u>153,923</u>	<u>55,000</u>
<b>Special Items</b>				
Proceeds From Sale Of Assets				
Held For Resale			99,510	
Total Special Items			<u>99,510</u>	
Net Change in Fund Balances	179	(104)	(7,130)	(17,762)
Fund Balances - Beginning	7,153	2,507	9,675	25,088
Fund Balances - Ending	<u>\$ 7,332</u>	<u>\$ 2,403</u>	<u>\$ 2,545</u>	<u>\$ 7,326</u>

The accompanying notes are an integral part of the financial statements



**TODD COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Emergency Operations Center Construction Fund</b>	<b>Clifty School Park Project Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$
		142,303
		48,282
		125,423
		58,292
	200	211
419		419
419	200	374,930
		258,720
		146,728
		132,145
	31,310	147,767
869		54,380
869	31,310	739,740
(450)	(31,110)	(364,810)
		115,823
	20,192	117,292
(21,783)		(25,783)
(21,783)	20,192	207,332
		99,510
		99,510
(22,233)	(10,918)	(57,968)
22,240	11,028	77,691
\$ 7	\$ 110	\$ 19,723

The accompanying notes are an integral part of the financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





Peercy and Gray, PSC  
**Certified Public Accountants**  
2300 Hurstbourne Village Drive, Suite 500  
Louisville, Kentucky 40299  
Phone: (502) 493-1090  
FAX: (502) 493-7231

The Honorable Arthur W. Green, Todd County Judge/Executive  
Members of the Todd County Fiscal Court

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 5, 2008. Todd County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Todd County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Todd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Todd County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting:

- The Fiscal Court Lacks An Adequate Segregation Of Duties
- The Fiscal Court Should Develop And Implement A System To Track Additions And Retirements/Disposals Of Capital Assets During The Fiscal Year

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Todd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Fiscal Court Should Bid The Purchase Of Equipment Or Vehicles Costing Over \$20,000

The Todd County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

November 5, 2008

**TODD COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2008**





**TODD COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2008**

**STATE LAWS AND REGULATIONS**

**The Fiscal Court Should Bid The Purchase Of Equipment Or Vehicles Costing Over \$20,000**

During our test of expenditures, we noted the fiscal court purchased an ambulance vehicle for the ambulance service in the amount of \$75,936 with \$40,000 cash paid and the remaining amount in thirty-six installments of \$1,079 per month. The fiscal court did not bid this item. KRS 424.260(1) states no county "may make a contract, lease or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." In the future, we recommend the fiscal court bid items purchased for over \$20,000.

*County Judge/Executive Arthur Green's Response: We have all ready corrected the process with lease vehicles.*

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES**

**The Fiscal Court Lacks An Adequate Segregation Of Duties**

The County has a lack of segregation of duties. The County Treasurer receives, records, and deposits all funds. She also prepares the bank reconciliations. In addition, the County Treasurer handles occupational tax. The Finance Officer submits invoices to the fiscal court for approval and prepares the checks. No documented compensating controls exist.

We recommend the following segregation of duties or compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipts ledger.
- An independent person should open bank statements and review them for unusual items. The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy. The independent person should then sign off on the bank reconciliations to verify completion.
- An independent person should compare fiscal court order approvals to invoices and checks prior to payment.

*County Judge/Executive Arthur Green's Response: We recognize that segregation of duties is hard to do with a small staff but continue to work on our internal control.*

TODD COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2008  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES  
(Continued)

The Fiscal Court Should Develop And Implement A System To Track Additions And Retirements/Disposals Of Capital Assets During The Fiscal Year

While performing our audit, we noted that the County was not maintaining an updated capital asset listing. The County Judge/Executive's office did not have the information on capital asset additions, retirements, or disposals for fiscal year 2008. We recommend the County develop and implement a system to include additions that meet the capitalization threshold and to remove retirements/disposals of capital assets from the capital asset listing throughout the fiscal year.

*County Judge/Executive Arthur Green's Response: We are undertaking process to track these items.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**TODD COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

Appendix A

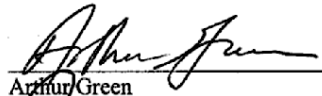


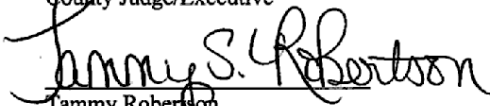
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TODD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Todd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Arthur Green  
County Judge/Executive

  
Tammy Robertson  
County Treasurer

